

## HUD'S RENTAL HOUSING INTEGRITY IMPROVEMENT PROJECT (RHIIP)



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Rental Housing Integrity Improvement Project

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## Introduction

The purpose of this presentation is to explain:

- The **income and rent integrity problem** in public housing and voucher programs
- The RHIIP initiative, especially
  - Up-front income verification
  - The rental integrity monitoring (RIM) initiative
  - Program simplification

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## Presidential Management Initiative # 10 Mandate

- HUD mandated to reduce errors by **50%** by 2005
- HUD's Annual Performance Plan set interim goals:
  - A **15%** reduction in the dollar amount of error by **FY 2003**
  - A **30%** reduction by FY 2004

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## Improper Payments Information Act of 2002

If amount of improper payments exceeds \$10 million, agency must report on resulting actions, including:

- Causes of improper payments, corrective action taken, and results
- Whether the agency has the systems and infrastructure to reduce improper payments
- Steps taken to ensure agency managers are being held accountable

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## 2003 PD&R Quality Control Rental Assistance Subsidies Study

- HUD Office of Policy Development and Research (PD&R) measurement of progress in reducing number/dollar amounts of rent calculation errors for 2003
- Data collected from 2,700 households at 600 sites (Section 8, Section 811, Section 202, and public housing)
- Information from tenant files and in-person interviews
- Data collection completed before Summer 2003
- Results reported in 2003 Performance and Account Report and Financial Statement Audit

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## Section I

### THE INCOME AND RENT INTEGRITY PROBLEM



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### What is the Overall Problem?

- GAO designated HUD's rental housing assistance as one of 22 "high risk" federal government areas
- HUD overpaid \$2.3 billion in annual housing subsidies
  - \$1.7 billion in administrative/component errors
  - \$600 to \$900 million in unreported tenant income
- HUD underpaid \$634 million in annual housing subsidies

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### Major Error Findings

PD&R's 2001 *Quality Control for Rental Assistance Subsidies Determinations* study found:

- 34% of households paying at least \$5 per month less than they should
- 22% of households paying at least \$5 per month more than they should
- **60% of rent calculations contain some type of rent, administrative, or component error**

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## Rent Errors

Household paid too much rent (overpayment) or too little rent (underpayment). Rent errors include:

- Dollar rent errors
- Gross rent errors
- Net rent errors
- Error rate

Source: *Quality Control for Rental Assistance Subsidies Determinations*, 2001, pp. 16-17.

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## Dollar Impact of Rent Errors

Subsidy overpayments:

- \$95 (average monthly error per tenant)
- \$1.699 billion (total annual program errors)

Subsidy underpayments:

- \$56 (average monthly error per tenant)
- \$634 million (total annual program errors)

Source: *Quality Control for Rental Assistance Subsidies Determinations*, 2001, p. 20.

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## Component Errors

Incorrect calculation of income and expense components.

Component errors include:

- **Income Components:**
  - Earned income
  - Social Security and pensions
  - Public assistance (TANF)
  - Income from assets
- **Expense/Allowance Components:**
  - Elderly/disabled allowance
  - Dependent allowance
  - Medical, childcare, and disability expenses

Source: *Quality Control for Rental Assistance Subsidies Determinations*, 2001, p. 16.

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## Dollar Impact of Component Errors

Administrative Type	Average Total Dollar Impact of Component Errors (Per household, per year)
Public Housing	\$4,837
PHA-Administered Section 8	\$5,070
Owner-Administered Section 8	\$3,351

Source: *Quality Control for Rental Assistance Subsidies Determinations*, 2001, p. 29.

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## Administrative Errors

Errors that result from mistakes in procedure. Administrative errors include:

- Consistency errors
- Calculation errors
- Transcription errors
- Failure to conduct timely recertifications
- Failure to verify information (e.g., income, family composition)

Source: *Quality Control for Rental Assistance Subsidies Determinations*, 2001, pp. 16-17.

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## Dollar Impact of Administrative Errors

Error Type	Percentage of Households in Error	Average Gross Dollars in Error (Per household, per month)
Transcription Errors	50%	\$12
Calculation Errors—Allowances	8%	\$26
Calculation Errors—Income	3%	\$10
Calculation Errors—Other	23%	\$18
Overdue Recertifications	6%	\$9
Any Administrative Errors	64%	\$12

Source: *Quality Control for Rental Assistance Subsidies Determinations*, 2001, p. 38.

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## QC Study and IG Recommendations

- Provide POAs with forms/training/other tools needed to determine rent correctly
- Hold POAs accountable for implementing regulations and correct rent calculations
- Simplify federal laws/regulations/HUD requirements
- Support occupancy functions and conduct POA outreach regarding availability of occupancy-related resources

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## Section II

### RENTAL HOUSING INTEGRITY IMPROVEMENT PROJECT



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### How HUD Is Addressing the Problem

- Reassessing operations
  - Studying other agencies' error reduction efforts (e.g., Food Stamp Program's quality control program)
  - Emphasizing options with the most error reduction payoff
- **Rental Housing Integrity Improvement Project**
  - Reduce errors
  - Ensure the "right benefits go to the right persons"
  - Stretch HUD's limited program funds to serve as many people as possible

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### RHIIP Components

- Error measurement (PD&R)
- Training and technical assistance
- Program guidance
- Incentives and sanctions
- **Program simplification**
- **Up-front income verification (UIV)**
- **Rental integrity monitoring (RIM)**

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## Impact of Improving Accuracy of Income and Rent

- Corrects subsidy estimates and payments
- Prevents costly and time consuming corrections
- Ensures fundamental fairness among families
- Serves more eligible households
- Ensures the integrity of HUD's financial statement
- Reduces errors

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## Section III

### UP-FRONT INCOME VERIFICATION



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### Up-Front Income Verification (UIV)

- **Definition:** Verification of income, before or during a family reexamination, through an independent source that systematically and uniformly maintains income information in computerized form for a large number of individuals.
- Key strategy for reducing the error rate
- Notice PIH 2001-15 strongly encourages UIV in addition to third party verification

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### Current Resources for UIV

- Social Security (SS) and Supplemental Security Income (SSI) information accessed via a secure Internet facility (TASS)
- State Wage Information Collection Agencies (SWICAs)
- State TANF systems
- Credit Bureau Association (CBA) Credit Reports
- Internal Revenue Service (IRS) Letter 1722
- Private sector databases (e.g., The Work Number)

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## Model Programs

### **Delaware: Delaware State Housing Authority**

- Mainframe computer linked with Department of Labor (DOL) and Department of Health and Human Services (HHS). Other state PHAs also have link
- Receives DOL wage/unemployment/disability benefits data
- Receives HHS welfare benefits/child support information
- Link prevents fraud since tenants know income and benefit checks are being performed

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## Other Model Programs

- **Virginia:** Fairfax County Department of Housing and Community Development, Compliance and Community Relations Program
- **Arizona:** City of Phoenix Housing Department
- **South Carolina:** Housing Authority of the City of Columbia
- **Oklahoma:** Oklahoma City Housing Authority and Oklahoma Housing Finance Agency

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## Future Resources for UIV

- HUD UIV system
- Health and Human Service's (HHS) National Directory of New Hires Database
  - HR-1030 (legislation pending) would allow HUD to compare public and assisted housing-related employment and income data with HHS New Hires Database

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## HUD UIV System

- **Objective:** Make integrated income data available to PHAs from one source, via the Internet, to improve income verification and reduce errors
- HUD agreements with SWICAs will let PHAs access information through HUD's database
- Goal: Agreements with 20 states by end of 2003
- HUD UIV pilot (PHAs in Florida, Ohio, and Texas)
- Implementation

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## HUD UIV System (cont.)

### **Protocol:**

- HUD matches Social Security Numbers (SSNs) and PIC data with SWICA data for all tenants over 18 years of age.
- If the SSN is not in PIC, data will not be made available
- Initially, 100% four times per year, may go to upcoming recertifications

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## HUD UIV System (cont.)

### **Security (HUD):**

- Data held in secure sub-systems/modules in PIC system
- Internet data access limited to requesting agency
- Records maintained on PHA requests and responses from SWICAs, private vendors, and SSA
- Records maintained and reports sent to SWICAs, private vendors, and SSA on data archived or destroyed

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## HUD UIV System (cont.)

**Security (PHAs):**

- Form 9886 or equivalent information must be on file
- Tenant files must be securely maintained

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## Section IV

### RENTAL INTEGRITY MONITORING



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### Rental Integrity Monitoring (RIM)

In June of 2002, HUD Headquarters directed HUD Field Offices to conduct onsite monitoring of PHAs—RIM Reviews—to:

- Detect and reduce errors in income and rent calculations at targeted PHAs
- Reduce rent underpayments and overpayments by residents
- Maximize HUD's limited housing resources

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### Establishing a Baseline for Measuring Error Reduction

RIM Reviews of PHAs, conducted from 7/02 through 1/03, examined:

- Income and rent
- PHA management of the occupancy function
- Verification and documentation
- Consistency between HUD-50058 data and PHA onsite records

RIM Review Error Tracking Reports, submitted 2/14/03, form baseline of rent/administrative/component errors affecting rental subsidy payments

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## What is a RIM Review?

Onsite monitoring of PHA policies and procedures related to income and rent determinations, performed by Field Office reviewers, including:

- Review of sample tenant files
- Gathering of PHA income and rent information
- Assessment of PHA policies and procedures
- Identification of income and rent errors
- Analysis of income and rent errors to establish root causes/recommended corrective actions
- Recording of income and rent findings and errors

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## Selection of PHAs—Original

HUD Field Offices used the existing PIH risk model, especially SEMAP- and PHAS-troubled PHAs, to determine PHAs most likely to have serious rent and income errors. Model supplemented by:

- SEMAP Indicators #3, #9, and #10
- Information from the PD&R Quality Control Study on income errors
- REAC large-scale match data
- As a result of these criteria, over 360 PHAs already received RIM reviews

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## Selection of PHAs—New Guidance

- **Top priority:** RIM Reviews completed for an additional 347 PHAs by September 30, 2003.
- **Second priority:** Follow-up RIM reviews

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## RIM Review Onsite Monitoring Activities

- Occupancy functions
  - Skill level and competency
  - Staff training program
  - Occupancy policies
  - PHA “job-aids” (forms, worksheets, guides, etc.)
  - Process for accepting and processing applications
  - Computer software and programs

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## RIM Review Onsite Monitoring Activities (cont.)

- Verification and documentation procedures
  - Reliability and acceptability
  - Extent of usage of UIV and third-party verification
- Tenant records
  - Consistency
  - Completion
  - Security

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## PHA RIM Review Summary Report

- Describes findings and basis for findings
- Outlines strategies for correcting the findings
- Includes targeted dates for completing corrective actions
- Findings will be communicated to the PHA
- Preliminary findings to date mirror those from the PD&R Quality Control Study on income errors

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## Sample RIM Report Findings

- Lack of verification of income/deductions
- Earned income/pension/public assistance miscalculations
- Incomplete/outdated PHA policies
- Data not being transferred to MTCS/PIC
- Documentation in file did not match data used to determine income and rent
- Failure to offer choice of rent (flat rent or income-based)
- Hardship exemptions not being offered
- Improper calculation of utility allowances

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## Sample Recommended Corrective Actions

- Establishing or improving internal quality control systems
- Establishing or improving procedures for gathering data for rent calculations
- Providing additional staff training
- Developing a checklist and log of required documents
- Using up-front as well as third-party verification of data whenever possible
- Successfully submitting 85% of participant data into MTCS/PIC

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## Follow-up and Resolution

HUD Field Offices will:

- Monitor on an on-going basis PHAs' progress in resolving income and rent error findings/discrepancies
- Track PHAs' responses to report issues
- Report findings to Headquarters via quarterly updates of the Error Tracking Reports
- Analyze any PHA difficulties in addressing issues/ taking appropriate actions and provide technical assistance, as needed
- Corrective Action Plan, if required

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## Next steps for PHAs

- Review occupancy procedures for compliance with regulations
- Update or develop worksheets or forms as needed
- Review the consent or release form
- Review competency of occupancy specialists and train as needed on income and rent determination, changes in the law, and revised forms
- Explore up-front and third party verification resources, including technological solutions
- Institute internal quality control checks

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## Conclusion

- HUD and PHAs need to work **together** to reduce income determination and rent calculation errors and meet the mandated goals:
  - A **15%** reduction in the dollar amount of error by FY 2003
  - A **30%** reduction by FY 2004
  - A **50%** reduction by FY 2005
- Reducing errors means more housing money for the people who need it the most.

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